State Profile

Summer 2005

Oklahoma

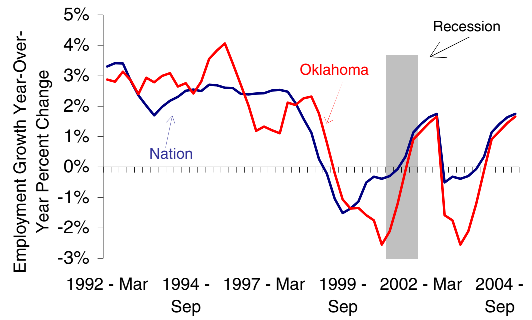
Job growth in Oklahoma continues to improve and is on par with the nation.

- The gap between Oklahoma and U.S. employment growth continued to close (See Chart 1). Improvement in Oklahoma employment, 1.68[1] percent year-over-year growth as of first quarter 2005, and has translated into 8,100 more jobs for Oklahoma residents from the prior quarter.
- Several Oklahoma employment sectors have benefited from the recent employment gains while others languished. The government sector benefited the most, reporting an increase of 10,000 jobs from a year ago. This increase is mainly attributable to local governments that rehired staff after state and municipal budget shortfalls caused staffing pressure during 2003. Additionally, the professional and business services, education, and leisure industries added jobs on a year-over-year percent basis as of first quarter 2005.
- On the other hand, information; manufacturing; and trade, transportation, and utilities are still struggling with overcapacity, lack of pricing power, and/or rapidly rising operating costs and continue to remain flat or lose jobs.
- Unlike most states, Oklahoma is not slated for any major military base closures and stands to gain approximately 4,000 military and civilian positions at four bases should the recent recommendations for military base closures be approved. The majority of the new positions (3,600) are for Fort Sill and, if approved, should serve as a boost to the **Lawton** economy.

Tulsa recorded job losses in first quarter 2005.

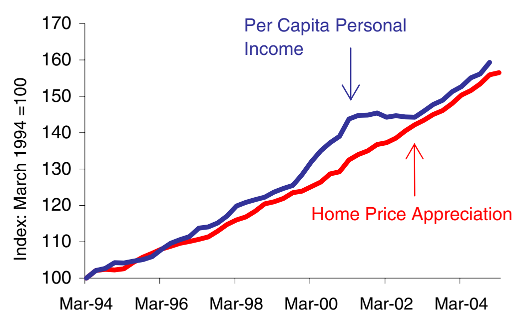
- The **Tulsa** metropolitan area reported year-over-year a small employment loss (.08 percent) during first quarter 2005. Tulsa is well below the state employment growth rate and ranks in the bottom quartile of U.S. metropolitan area for employment growth. The metropolitan areas of Lawton and **Oklahoma City** are exceeding the state with

Chart 1: The Gap between Oklahoma and US Employment Growth Continues to Close



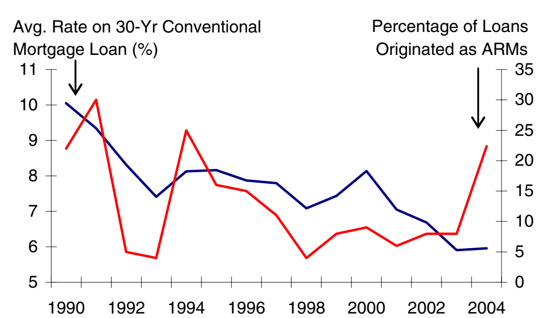
Source: Bureau of Labor Statistics

Chart 2: Oklahoma Home Appreciation Rates Have Tracked Closely with Personal Income Growth



Source: Office of Federal Housing Enterprise Oversite, Bureau of Economic Analysis

Chart 3: ARMs in Oklahoma Have Increased Despite Low Rates on Fixed-Rate Mortgages



Sources: Federal Housing Finance Board, Federal Reserve Board

[1] This data is seasonally adjusted and may differ from the at a glance page data which is non-seasonally adjusted.

employment growth rates of 2.08 percent and 1.84 percent, respectively.

- Restructuring and continued consolidation in the telecommunications industry are driving job losses in the information sector in Tulsa. SBC has announced substantial jobs cuts, and its acquisition of AT&T could affect the Tulsa economy because of SBC's plans to shift operations from WilTel, a major employer in Tulsa, to AT&T.

- Tulsa's employment prospects in the near term may be helped by its aerospace industry. An increase in military and civilian orders for planes and related parts may prompt hiring of individuals in high-paying jobs.

House price increases are in line with income growth.

- Unlike many markets on the nation's coasts, home price appreciation in Oklahoma has tracked closely with personal income growth (See Chart 2). During the past ten years home prices for the state have risen 56 percent, while per capita income growth has risen 59 percent. This trend, which is consistent across the state's metropolitan areas, indicates increases in home prices are in line with income growth.

- Oklahoma's affordable home prices serve as an enticement for people and business to relocate to the state. Oklahoma has reported positive net in-migration for the past three years.

The popularity of adjustable-rate mortgages (ARMs) has increased despite low rates on fixed mortgages.

- The percentage of Oklahoma homebuyers using adjustable-rate mortgages (ARMs) has dramatically increased over the past year despite historically low rates offered on long-term fixed-rate mortgages (See Chart 3).

- Oklahoma mortgage loans in foreclosure remain among the highest levels in a decade, significantly above the national average.

- In contrast, Oklahoma insured institutions continue to report relatively low mortgage loan past-due and charge-off rates.

Oklahoma's consumer bankruptcy rates remain at high levels.

- Personal bankruptcy filings in Oklahoma increased slightly during first quarter 2005; while the national rate declined. Moreover, the Oklahoma four quarter moving average remained among the highest levels in the past 25 years (See Chart 4).[2]

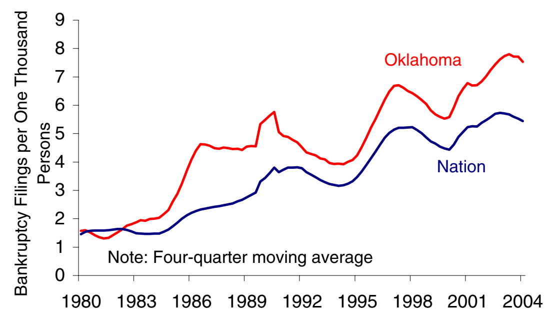
- Personal bankruptcy filings may rise prior to the October 2005 effective date of the new bankruptcy law, which makes it more difficult for consumer to discharge their debts in bankruptcy. However, over the long term, Oklahoma's growing economy should favorably affect the level of personal bankruptcy filings in the state.

Oklahoma insured institutions post impressive results for the first quarter 2005.

- During first quarter 2005, banks and thrifts headquartered in the state reported a ten year high in average quarterly return on assets. Small and Large banks alike continue to perform well with very few institutions reporting losses. The strength in profitability is not concentrated in one area, but rather a combination of factors – solid net interest margins, low provision expense, and strong noninterest income.

- Credit quality for Oklahoma institutions, like the nation, continued to improve as past-due and charge-off rates remain near ten-year lows.

Chart 4: Oklahoma Per Capita Bankruptcy Rates Remain Weaker Than the Nation



Source: Administrative Office of the U.S. Courts

[2] Based on a four quarter moving average per capita bankruptcy rate.

Oklahoma at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.8%	-0.1%	-1.7%	-1.1%	2.4%
Manufacturing (10%)	-0.4%	-3.2%	-6.0%	-10.7%	-1.8%
Other (non-manufacturing) Goods-Producing (6%)	2.6%	0.1%	-1.4%	0.0%	6.5%
Private Service-Producing (63%)	1.5%	0.2%	-1.2%	-0.3%	2.5%
Government (21%)	3.5%	0.3%	-1.2%	1.9%	3.1%
Unemployment Rate (% of labor force)	4.4	5.1	5.4	4.5	3.0

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.3%	1.8%	0.9%	9.3%
Single-Family Home Permits	13.4%	5.9%	9.2%	21.7%	-8.1%
Multifamily Building Permits	-12.7%	-27.8%	119.3%	-19.9%	17.8%
Existing Home Sales	7.3%	10.0%	7.6%	6.2%	7.5%
Home Price Index	4.1%	4.9%	4.5%	3.5%	5.9%
Bankruptcy Filings per 1000 people (quarterly level)	1.89	1.88	1.82	1.59	1.67

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	272	275	279	289	293
Total Assets (in millions)	57,981	57,895	58,004	53,295	50,899
New Institutions (# < 3 years)	3	4	3	4	4
Subchapter S Institutions	146	140	135	123	108

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.17	2.39	2.87	2.76	2.82
ALLL/Total Loans (median %)	1.24	1.25	1.26	1.28	1.27
ALLL/Noncurrent Loans (median multiple)	1.59	1.37	1.24	1.34	1.31
Net Loan Losses / Total Loans (median %)	0.22	0.24	0.25	0.25	0.24

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.66	9.48	9.52	9.33	9.34
Return on Assets (median %)	1.26	1.23	1.21	1.20	1.17
Pretax Return on Assets (median %)	1.52	1.51	1.54	1.52	1.48
Net Interest Margin (median %)	4.68	4.64	4.64	4.68	4.64
Yield on Earning Assets (median %)	7.22	7.16	7.30	7.51	7.84
Cost of Funding Earning Assets (median %)	2.51	2.47	2.61	2.78	3.17
Provisions to Avg. Assets (median %)	0.18	0.19	0.19	0.19	0.17
Noninterest Income to Avg. Assets (median %)	0.91	0.91	0.92	0.91	0.90
Overhead to Avg. Assets (median %)	3.44	3.42	3.44	3.42	3.45

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	61.7	58.5	58.7	58.6	59.1
Noncore Funding to Assets (median %)	19.1	17.8	17.5	16.4	16.8
Long-term Assets to Assets (median %, call filers)	13.5	16.0	14.5	13.1	13.0
Brokered Deposits (number of institutions)	51	39	30	25	24
Brokered Deposits to Assets (median % for those above)	3.0	3.2	3.0	3.3	3.0

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	90.9	86.3	91.1	91.1	93.1
Commercial Real Estate	119.8	105.3	102.1	91.6	90.4
Construction & Development	14.0	15.4	13.2	10.3	10.7
Multifamily Residential Real Estate	0.0	0.0	0.0	0.0	0.0
Nonresidential Real Estate	98.1	88.0	73.6	72.3	67.6
Residential Real Estate	128.4	134.1	140.5	145.6	143.5
Consumer	74.8	79.0	81.4	89.7	92.8
Agriculture	72.8	68.3	68.1	71.4	71.4

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Oklahoma City, OK	70	14,855	<$250 million	242 (89%)
Tulsa, OK	68	13,023	$250 million to $1 billion	24 (8.8%)
Fort Smith, AR-OK	22	3,400	$1 billion to $10 billion	5 (1.8%)
Lawton, OK	10	855	>$10 billion	1 (0.4%)